

SIPEKNE'KATIK

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

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Independent Auditor's Report

To the Chief, Council and Members of
Sipekne'katik

We have audited the accompanying consolidated financial statements of Sipekne'katik, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the First Nation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the First Nation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2018 and the results of its operations, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Andrew D. Lenehan

Chartered Professional Accountant

Woodstock, New Brunswick

July 17, 2018

SIPEKNE'KATIK
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

	2018	2017
Financial Assets		
Cash (Note 9)	\$ 2,930,504	\$ 1,792,059
Accounts receivable (Note 7)	3,542,901	2,013,610
Funds on deposit with INAC (Note 6)	84,237	81,555
Funds held in trust (Note 10)	-	133,115
Debt reserve fund (Note 11)	102,885	
Inventory (Note 4)	39,837	46,893
	<hr/> 6,700,364	<hr/> 4,067,232
Liabilities		
Accounts payable (Note 12)	5,012,209	4,611,722
Deferred revenue (Note 13)	1,822,515	825,243
Due to minor band members (Note 19)	651,758	705,758
Investments (Note 3)	7,882	31,410
Long-term debt (Note 14)	5,230,719	3,248,320
	<hr/> 12,725,083	<hr/> 9,422,453
Net debt	(6,024,719)	(5,355,221)
Non-financial Assets		
Tangible capital assets (Note 15)	22,321,513	19,583,149
Prepaid expenses (Note 5)	27,224	23,265
	<hr/> 22,348,737	<hr/> 19,606,414
Accumulated Surplus (Note 16)	\$ 16,324,018	\$ 14,251,193

Approved on behalf of Sipekne'katik


, Chief

, Executive Financial Officer

The accompanying notes are an integral part of the financial statements

SIPEKNE'KATIK

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED MARCH 31, 2018

	2018 Budget	2018 Actual	2017 Actual
Surplus	640,603	2,072,825	2,516,438
Acquisition of tangible capital assets	-	(4,378,405)	(3,036,152)
Disposal of tangible capital assets	-	-	76,293
Amortization of tangible capital assets	1,300,000	1,640,043	1,422,262
	1,300,000	(2,738,362)	(1,537,597)
(Increase) decrease of prepaid expenses	-	(3,961)	436
(Decrease) increase in net financial assets	1,940,603	(669,498)	979,277
Net debt at beginning of year	(5,355,221)	(5,355,221)	(6,334,498)
Net debt at end of year	\$ (3,414,618)	\$ (6,024,719)	\$ (5,355,221)

The accompanying notes are an integral part of the financial statements

SIPEKNE'KATIK

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED MARCH 31, 2018

	2018 Budget	2018 Actual	2017 Actual
Revenues			
Indigenous and Northern Affairs Canada	\$ 8,227,992	\$ 9,081,343	\$ 9,079,275
Tobacco store	8,030,000	8,849,990	8,268,974
Mi'kmaw Kina'matneway	6,935,852	7,119,568	6,850,941
Gaming	4,340,000	5,108,250	4,834,981
Fisheries	3,169,000	4,045,899	3,604,892
Other	2,007,923	2,342,678	1,851,071
Gas bar	1,530,000	2,255,868	1,501,022
Health Canada	1,430,558	1,654,411	1,445,823
METS	747,577	737,871	737,871
	36,418,902	41,195,878	38,174,850
Cost of goods sold	6,250,000	8,546,955	7,653,330
Gross profit	30,168,902	32,648,923	30,521,520
Expenditures			
Social Development	5,493,935	5,471,559	5,380,166
Band Administration	2,141,225	2,278,096	2,181,443
Education	7,019,911	7,742,886	6,872,283
Capital and Housing	904,000	1,200,510	1,110,499
Operating and Maintenance	2,146,050	2,235,977	2,753,647
Economic Development	755,171	472,266	241,173
Community Health	1,480,558	1,606,313	1,593,415
Employment Training	915,099	1,017,281	1,052,729
Gaming	1,767,100	1,786,285	1,724,532
Tobacco Store	790,800	885,024	662,844
Fisheries	2,092,500	2,470,385	1,918,279
Housing Projects	1,065,000	2,118,226	887,350
Gas Bar	211,950	185,840	198,203
	26,783,299	29,470,648	26,576,563
Surplus before other items	3,385,603	3,178,275	3,944,957
Other items			
Amortization	(1,300,000)	(1,640,043)	(1,422,262)
Insurance proceeds	562,821		
Forensic audit	(20,000)	(28,228)	(6,256)
	(1,320,000)	(1,105,450)	(1,428,518)
Surplus	640,603	2,072,825	2,516,438
Accumulated surplus at beginning of year	14,251,193	14,251,193	11,734,755
Accumulated surplus at end of year	\$ 14,891,796	\$ 16,324,018	\$ 14,251,193

The accompanying notes are an integral part of the financial statements

SIPEKNE'KATIK

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2018

	2018	2017
Cash flows from		
Operating activities		
Surplus	\$ 2,072,825	\$ 2,516,438
Items not affecting cash		
Amortization expense	1,640,043	1,422,262
Investment in Wallace Hill	(23,528)	(8,948)
	3,689,340	3,929,752
Change in non-cash operating working capital		
Accounts receivable	(1,529,291)	(280,441)
Inventory	7,056	15,345
Prepaid expenses	(3,959)	434
Funds on deposit with INAC	(2,682)	(1,485)
Funds held in trust	133,115	(133,115)
Accounts payable	400,483	(98,093)
Deferred revenue	997,272	785,593
Due to minor band members	(54,000)	(81,000)
	3,637,334	4,136,990
Capital activities		
Acquisition of tangible capital assets	(4,378,406)	(3,036,152)
Disposal of tangible capital assets	-	76,293
	(4,378,406)	(2,959,859)
Financing activities		
Proceeds of long-term debt	2,336,253	480,400
Repayment of long-term debt	(353,851)	(529,131)
Debt reserve fund	(102,885)	-
	1,879,517	(48,731)
Increase in cash and cash equivalents	1,138,445	1,128,400
Cash, beginning of year	1,792,059	663,659
Cash, end of year	\$ 2,930,504	\$ 1,792,059

The accompanying notes are an integral part of the financial statements

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

1. Reporting Entity

The consolidated financial statements of Sipekne'katik reflect the assets, liabilities, revenues, expenditures, changes in net debt and accumulated surplus of the reporting entity. The reporting entity is comprised of the organizations accountable for the administration of their affairs and resources to the Chief and Council or controlled by the First Nation. Inter-fund and inter-corporate balances and transactions have been eliminated.

Sipekne'katik provides services to its community members for various programs detailed in Schedules 1 to 13.

2. Basis of Presentation and Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(a) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of one year or less at acquisition which are held for the purpose of meeting short-term cash commitments.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of all funds and operations in which Sipekne'katik has a controlling interest. All interfund balances have been eliminated on consolidation but in order to present the results of operations for each specific fund, transactions between funds have not been eliminated on the individual schedules.

Under the modified equity method of accounting, only Sipekne'katik's investment in the government business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Sipekne'katik.

The organization accounted for on a modified equity basis is Wallace Hill Development Inc.

(c) Inventory

Inventory is valued at the lower of cost, determined on the first in first out basis, and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

SIPEKNE KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

2. Basis of Presentation and Significant Accounting Policies (continued)

(d) Tangible Capital Assets

Tangible capital assets (TCAs) are items that can be physically touched, are used to provide First Nation services, are used for First Nation administration purposes or are used for the construction and/or maintenance of other TCAs owned by the First Nation, will be useful for a period greater than one year and will be used by the First Nation on a regular basis.

Certain tangible capital assets, including but not limited to roads and infrastructure, have been recorded at a nominal amount of \$1 as specific historical data was not available. Whereas all such assets are amortized over a period not longer than twenty five years, it is management's opinion that all assets acquired prior to 1987 would now be fully amortized.

Tangible capital assets are recorded at cost, which includes all amounts directly attributable to acquisition, construction, development or betterment of the asset, and are amortized on the declining balance method over their estimated useful lives. Amortization begins in the year acquired. Current descriptions and useful lives are as follows

Buildings	5 % Declining balance
Vehicles	30 % Declining balance
Furniture and fixtures	20 % Declining balance
Equipment	20 % Declining balance
Paving	5 % Declining balance
Recreational facilities	10 % Declining balance
Pump/gaming renovations	20 % Declining balance

(e) Net Debt

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets, and accumulated surplus.

(f) Deferred Revenue

Government funding and other revenue not fully expended at year end has been treated as deferred revenue by the First Nation and will be recorded in revenue in the fiscal year when the related expenditures are incurred.

SIPEKNE'KATIK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

2. Basis of Presentation and Significant Accounting Policies (continued)

(g) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

Tobacco store and gas bar revenues are recorded at the point of sale.

(h) Expense Recognition

Expenses are recorded on the accrual basis as they are incurred and measurable based on receipt of goods or services and obligation to pay.

(i) Use of Estimates

The preparation of financial statements in conformity with Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. Specifically, estimates are required relating to the provision for doubtful accounts and the useful lives of tangible capital assets. The effect of changes in such estimates on the financial statements in future periods could be significant.

(j) Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets and prepaid expenses.

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

2. Basis of Presentation and Significant Accounting Policies (continued)

(k) Segment Disclosure

The financial statements of Sipekne'katik provide supporting schedules which are established by program based on government funding provided. The various programs have been amalgamated for the purpose of presentation in the consolidated financial statements. Details of the operations of each program are set out in the supplementary schedules for management information purposes.

(l) Financial Instruments

Financial instruments are financial assets or liabilities of the First Nation where the First Nation has the right to receive cash or another financial asset from another party or has the obligation to pay cash or other financial assets to another party or equity instruments of another entity.

All significant financial assets, financial liabilities and equity instruments of the First Nation are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk.

3. Investments

	2018	2017
Investment in Wallace Hill Development Inc.	\$ 1	\$ 1
Investment in Beaubassin Mi'kmaq Wind Mgmt Ltd.	1	1
Investment in 3270886 Nova Scotia Limited	1	1
<u>Equity (deficit) in Wallace Hill Development Inc.</u>	<u>(7,885)</u>	<u>(31,413)</u>
	<hr/> <u>\$ (7,882)</u>	<hr/> <u>\$ (31,410)</u>

4. Inventory

	2018	2017
Fuel for resale	\$ 12,852	\$ 16,704
Tobacco for resale	26,985	30,189
	<hr/> <u>\$ 39,837</u>	<hr/> <u>\$ 46,893</u>

SIPEKNE'KATIK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

5. Prepaid expenses

	2018	2017
Fuel and propane	\$ 27,224	\$ 23,265

6. Funds on deposit with INAC

	March 31, 2017	Additions (interest)	Withdrawals	March 31, 2018
Revenue	\$ 41,216	\$ 2,682	\$ -	\$ 43,898
Capital	\$ 40,339	\$ -	\$ -	\$ 40,339
	\$ 81,555	\$ 2,682	\$ -	\$ 84,237

7. Accounts Receivable

	2018	2017
Indigenous and Northern Affairs Canada	\$ 697,167	\$ 275,263
Mi'kmaw Kina'matnewey	265,418	280,601
METS programs	196,913	306,997
Other government departments	411,761	378,994
Employees and other band members	116,436	123,484
Department of Fisheries and Oceans	583,391	175,569
Canada Mortgage and Housing Corporation	348,246	69,450
Gaming program	172,287	172,287
MRJJ Management Inc.	59,200	59,200
Amcrest Management Inc.	172,200	172,200
Unapproved transfers	307,000	307,000
Insurance proceeds	562,821	-
Health Canada	60,000	
Leased licences - fisheries	50,748	40,000
Other	18,127	134,382
Wallace Hill Development Incorporated	535,336	416,586
Allowance for doubtful accounts	4,497,051 (954,150)	2,972,013 (958,403)
	\$ 3,542,901	\$ 2,013,610

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

8. Due from related parties

The First Nation advanced funds to related parties during the 2010-2011 year with the following amounts outstanding at March 31, 2018:

MRJJ Management Inc. - \$59,200
Amcrest Management Inc. - \$172,200
Wallace Hill Development Inc. - \$535,336
Total due from related parties - \$766,736

1. MRJJ Management Inc.

During July, 2009, certain members of Sipekne'katik Council formed a committee mandated to initiate and manage commercial development at Wallace Hill, HRM, which was to be added to the Sipekne'katik Reserve land. Following subsequent discussions with legal counsel, it was agreed that utilization of a company as a vehicle for leasing Reserve lands to private commercial interests was advisable.

As a result, MRJJ Management Inc. (MRJJ) was formed in January, 2010 by the committee. MRJJ is owned by the committee members; Michael P. Sack, Ronnie Augustine, Jerry F. Sack, and Jeff Hayes. Prior to being used as a development vehicle for the First Nation, the MRJJ shareholders were to execute fiduciary agreements where under they would hold their shares in trust for the First Nation members.

The primary purpose of MRJJ was, subject to other documents being finalized that would make it a fully Band controlled business, to be the designee of Wallace Hill Reserve lands for commercial development purposes. It was also intended, in the initial stages, to be the Band's proxy in negotiating commercial development opportunities and other aspects of development at Wallace Hill. Subsequently, Council decided not to utilize MRJJ for its original purpose.

The balances due from MRJJ are unsecured, non-interest bearing with no specific terms of repayment.

2. Amcrest Management Inc.

Amcrest Management Inc. is a company solely owned by the former Director of Finance. During the 2010-2011 year, funds were advanced to Amcrest from the MRJJ account as well as from various Band bank accounts. Total advances to Amcrest Management Inc. during that year totalled \$172,200.

The balances due from Amcrest Management Inc. are unsecured, non-interest bearing with no specific terms of repayment.

3. Wallace Hill Development Inc.

The balances due from Wallace Hill Development Inc. are unsecured, non-interest bearing with no specific terms of repayment.

SIPEKNE'KATIK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

9. Cash / cheques written in excess of deposits

Under the terms of agreement with Canada Mortgage and Housing Corporation, Sipekne'katik must set aside funds annually for the anticipated repair, maintenance and replacement of assets under the Section 95 program. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation. Cash and cash equivalents are comprised of the following:

	2018	2017
Cash on hand	\$ 122,712	\$ 82,899
Cheques written in excess of deposits	(330,823)	(289,671)
Guaranteed Investment Certificates (GIC's)	2,521,209	1,481,425
Externally restricted CMHC reserve GIC	617,406	517,406
	<hr/> \$ 2,930,504	<hr/> \$ 1,792,059

10. Funds held in trust

Funds held in trust consist of forfeiture funds receivable through the Adult Diversion Program.

11. Debt reserve fund

As part of the loan agreement with First Nations Finance Authority, 5% of the loan balance is held on deposit in the Debt Reserve Fund.

12. Accounts payable

	2018	2017
Current		
Trade	\$ 1,683,430	\$ 1,237,173
Receiver General	8,271	46,849
Pension plan remittance	-	13,566
Worker's compensation	37,927	31,553
	<hr/> 1,729,628	<hr/> 1,329,141
Long term		
Trade accrued liabilities	3,282,581	3,282,581
	<hr/> \$ 5,012,209	<hr/> \$ 4,611,722

SIPEKNE'KATIK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

13. Deferred revenue

	2018	2017
INAC - Water Tower Repairs	\$ 500,000	\$ -
INAC - Water Infrastructure - New Ross	43,400	-
INAC - Well Fencing	100,000	-
INAC - Diversion Centre	94,600	-
INAC - Economic Development Corporation - CEO	-	20,766
INAC - Immediate Needs - Renovations	167,000	150,000
INAC - Innovation - Housing Authority Feasability	-	80,000
INAC - Cap Dev - Needs Assessment and Training	-	75,000
INAC - Capacity Development - Subdivision	-	45,283
INAC - Cap Dev - Mould, Pesticide and Pest Training	-	30,000
INAC - Capacity Development - Subdivision	50,000	-
INAC - Cultural Funding - Arbour	-	297,500
Health Canada - Aboriginal Head Start Building	749,010	100,000
Health Canada - Capital - Health Centre	-	10,000
Health Canada - Youth Solvent Abuse	83,479	-
Health Canada - Jordan's Principle	29,238	-
Province of NS - Strategic Opportunities	-	5,000
Wagmatcook Band Council - Give us Wings	-	7,000
Confederacy of Mainland Mi'kmaq	3,744	-
NS Health Authority - Food Bank Funding	-	2,650
NS Health Authority - All About Me	2,044	2,044
	<hr/> \$ 1,822,515	<hr/> \$ 825,243

SIPEKNE'KATIK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

14. Long-term debt

	2018	2017
Royal Bank of Canada Housing project mortgages due September 2019 to November 2020, bearing interest at 2.15% to 2.78%, payable in equal monthly amounts of principal and interest totaling \$3,157. Mortgages are guaranteed by the Minister of Indigenous and Northern Affairs Canada.	\$ 228,946	\$ 260,683
Canada Mortgage and Housing Corporation Housing project mortgages due September 2018 to May 2022, bearing interest at 0.90% to 2.04%, payable in equal monthly amounts of principal and interest totaling \$20,025. Mortgages are guaranteed by the Minister of Indigenous and Northern Affairs Canada.	2,708,778	2,623,233
GE Canada 6.75% loan, payable \$4,646 monthly including interest, due November 2018, secured by 2016 International truck and 2015 snow plow attachment	31,343	83,084
Caterpillar Financial Services Ltd. 5.55% loan, payable \$3,212 monthly including interest, due January 2018, secured by 2016 Caterpillar 420 Backhoe Loader	-	31,320
Royal Bank of Canada 4.20% loan, payable \$4,627 monthly including interest, due March 2022, secured by fisheries building	204,110	250,000
First Nations Finance Authority 3.35% loan, payable \$37,917 monthly including interest, due November 2022, secured by land and building	<u>2,057,542</u>	-
Current portion	5,230,719 684,172	3,248,320 356,536
	<hr/> <u>\$ 4,546,547</u>	<hr/> <u>\$ 2,891,784</u>

SIPEKNE'KATIK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

14. Long-term debt, continued

Approximate principal portion of long-term debt due within each of the next five years, assuming refinancing of the mortgages under similar terms, is as follows:

2018-19	\$ 684,172
2019-20	651,048
2020-21	670,369
2021-22	690,306
2022-23	591,551
<u>2023 and thereafter</u>	<u>1,943,273</u>
	<hr/>
	\$ 5,230,719

SIPEKNE'KATIK**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2018****15. Tangible Capital Assets****15. Tangible Capital Assets**

	Cost	Accumulated amortization	Balance, end of year
	Balance, beginning of year	Additions	Balance, end of year
	\$	\$	\$
Land	\$ 252,956	\$ 1,027,686	\$ 1,280,642
Buildings	2,948,022	1,452,458	4,400,480
Vehicles	1,176,495	441,877	1,618,372
Band housing projects	15,495,943	893,116	16,389,059
Furniture and equipment	702,295	77,263	779,558
Community centre	2,958,266	-	2,958,266
Pump/gaming renovations	30,896	-	30,896
Community housing	2,371,070	-	2,371,070
Administration building	917,433	-	917,433
Health centre	873,671	-	873,671
P-12 school	7,137,737	-	7,137,737
Recreational facilities	246,593	-	246,593
Infrastructure	4,243,489	3,000	4,246,489
Public works dept	1,513,270	-	1,513,270
Roads	1,290,165	-	1,290,165
Fishing vessel	1,130,330	483,006	1,613,336
			235,779
			170,408
			406,187
			1,207,149
	\$43,288,631	\$4,378,406	\$47,667,037
			\$23,705,482
			\$ 1,640,042
			\$ 25,345,524
			\$22,321,513

SIPEKNE KATIK**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 2018**

	Cost	Accumulated amortization	
	Balance, beginning of year	Additions	Balance, end of year
			beginning of year
Land	\$ 189,275	\$ 252,956	\$ -
Buildings	2,002,610	2,948,022	982,806
Vehicles	654,042	522,453	1,176,495
Band housing projects	14,517,940	978,003	15,495,943
Furniture and equipment	702,295	-	702,295
Community centres	2,905,269	52,997	2,958,266
Pump/gaming renovations	30,896	-	30,896
Community housing	2,371,070	-	2,371,070
Administration building	917,433	-	917,433
Health centre	873,671	-	873,671
P-12 school	7,137,737	-	7,137,737
Recreational facilities	246,593	-	246,593
Infrastructure	4,243,489	-	4,243,489
Water system	1,513,270	-	1,513,270
Roads	1,290,165	-	1,290,165
Fishing vessel	771,725	358,605	1,130,330
			141,200
			94,579
			235,779
			894,551
	\$ 40,367,480	\$ 2,921,151	\$ 43,288,631
			\$ 22,321,926
			\$ 1,383,556
			\$ 23,705,482
			\$ 19,583,149

SIPEKNE'KATIK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

16. Accumulated surplus

Effective March 31, 2014 any surpluses from the Education program greater than 1% of the education budget or \$50,000 are required to be externally restricted as agreed upon with Mi'kmaw Kina'matenewey. A formal plan detailing how these funds will be used must be submitted and approved by Mi'kmaw Kina'matenewey by August 31st of each year.

	2018	2017
Externally restricted - education (pg. 41)	\$ (358,341)	\$ (297,329)
Unrestricted	(408,435)	(1,786,307)
Investment in capital assets	17,090,794	16,334,829
	\$ 16,324,018	\$ 14,251,193

17. Annual Surplus Net of Capital Related Revenues and Amortization

	2018	2017
Annual surplus	\$ 2,072,825	\$ 2,516,438
Less capital related revenues included in annual surplus:		
Deduct: Federal government transfers for capital	(1,067,085)	(355,000)
Add: Amortization expense included in annual surplus	1,640,043	1,422,262
	572,958	1,067,262
Annual surplus net of capital related revenues and amortization	\$ 2,645,783	\$ 3,583,700

18. Comparative Amounts

Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period. There have been no changes to the accumulated surplus balance due to these reclassifications.

SIPEKNE'KATIK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

19. Due to minor band members

Annually from 2006 to 2011, Council approved Christmas bonuses of \$250 to be paid to each Band member. Band members are not entitled to receive their bonus until they attain the age of 18.

	2018	2017
Balance, beginning of year	\$ 705,758	\$ 786,758
Deduct: payments related to previous years	(54,000)	(81,000)
Balance, end of year	\$ 651,758	\$ 705,758

20. Economic Dependence

Sipekne'katik receives a significant portion of its revenue pursuant to a funding agreement with Indigenous and Northern Affairs Canada and other federal government agencies.

21. Contingent Liabilities

Sipekne'katik has entered into contribution agreements with various federal and provincial government partners. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements. The likelihood of compliance reviews and any potential findings are not determinable as at the date on the auditor's report.

Subsidy assistance payments received through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act are subject to repayment if the First Nation fails to comply with the terms and conditions of the agreement. As at March 31, 2018, the First Nation has not fully complied with all the terms and conditions including its failure to calculate rent-to-income in accordance with subparagraph 2(5) of the Operating Agreement and its failure to maintain the required replacement reserve. To the best of management's knowledge, the entity will not have to repay any of the subsidy assistance payments received and thus, no amount has been recorded to reflect this potential liability.

In the normal course of its operations, the First Nation becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occurs or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on the First Nation's financial statements. When the future event and/or ability to estimate involves more uncertainty, the action or claim is considered a contingent liability.

SIPEKNE'KATIK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

22. Other Matters

As a result of financial concerns and irregularities, Chief and Council of Sipekne'katik engaged a firm to carry out a forensic audit, which commenced May, 2012.

In part, the firm reviewed certain financial transactions and in particular any that were not properly authorized, including but not limited to the following amounts included in Note 8:

Due from MRJJ Management Inc.	\$ 59,200
Due from Amcrest Management Inc.	172,200
Unapproved transfers	307,000

A settlement was reached with the First Nation's insurer in the amount of \$562,821 during May 2018 and has been recorded as a receivable as at March 31, 2018.

During the year, forfeiture funds totalling \$3,999 were received from the sale of two vehicles.

23. Expenses by object

	2018	2017
Wages and benefits	\$ 9,973,521	\$ 9,118,802
Tobacco shop	783,653	567,957
Fuel and tobacco purchases	8,546,955	7,653,330
Social program expenses	5,172,505	5,129,926
Health program expenses	649,826	672,142
Travel	143,159	118,981
Tuition	1,545,739	1,375,545
Supplies and services	2,551,012	2,688,694
Interest and bank charges	162,744	126,262
Professional services	1,256,695	687,177
Repairs	2,381,651	1,798,108
Other	4,287,320	4,292,970
Amortization	1,640,043	1,422,262
Forensic audit	28,228	6,256
Total	\$ 39,123,051	\$ 35,658,412

SIPEKNE KATIK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

24. Pension plan

The First Nation participates in an individual defined contribution pension plan for its employees. The plan is not mandatory and there is no required waiting period for permanent employees to enroll in the plan. The First Nation contributes amounts equal to the employee's contribution up to a maximum of 5.5% of the employee's gross earnings. Employer contributions, which are expensed in the period incurred, totalled \$111,219 (2017 - \$95,624) during the year.

25. Financial Instruments Risks and Uncertainties

The First Nation is exposed to the following risks in respect of certain of the financial instruments held:

Credit risk

The financial instruments that potentially subject the First Nation to a significant concentration of credit risk consist primarily of cash and accounts receivable.

The First Nation maintains cash balances with Canadian chartered banks which is insured by the Canada Deposit Insurance Corporation up to CDN \$100,000. From time to time, these balances exceed the federally insured limits and expose the First Nation to credit risk from concentration of cash. The First Nation limits this risk by transacting with reputable financial institutions.

The First Nation does have credit risk in accounts receivable \$3,542,901 (2017 - \$2,013,610). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The First Nation reduces its exposure to credit risk by performing valuations on a regular basis and creating an allowance for bad debts when applicable. The First Nation derives substantially all of its revenues and therefore, accounts receivable, from government sources. In the opinion of management, the credit risk exposure to the First Nation is low and is not material.

Liquidity risk

The First Nation does have a liquidity risk in the accounts payable and accrued liabilities of \$5,012,209 (2017 - \$4,611,722). Liquidity risk is the risk that the First Nation cannot repay its obligations when they become due to its creditors. The First Nation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains a responsible cash position.

Interest rate risk

At times, the First Nation may be exposed to interest rate risk. This risk exists due to interest rate exposure on certain term loans, which are variable based on the bank's prime rates. This exposure may have an effect on its interest expenses in future periods. The First Nation reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been relatively stable over the period presented. There are some loans payable that are at fixed term rates and therefore, do not affect interest rate risk. The First Nation does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management the interest rate risk exposure to the First Nation is low and is not material.

SIPEKNE'KATIK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018

26. Budgeted figures

Unaudited budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the Chief and Council.

SIEPKENKATIK

SCHEDULE OF SEGMENT DISCLOSURE
YEAR ENDED MARCH 31, 2018

	Social development	Business administration	Education	Capital and investment	Operational and maintenance	Economic development	Community health
	2018	Budget 2018	2018	Budget 2018	2018	Budget 2018	2018
Revenues							
Federal Government	\$ 5,804,579	\$ 5,746,916	1,128,133	709,591	7,646,375	7,716,852	347,989
Provincial Government	-	-	60,000	-	-	-	-
Economic Authorities	-	-	-	-	-	-	-
Other revenue	(33,320)	-	863,440	387,546	36,410	12,000	55,535
Total revenue	\$ 5,471,559	\$ 5,746,916	2,052,573	1,097,517	7,682,785	7,728,852	403,513
Expenses							
Salaries and benefits	286,221	462,635	1,277,030	1,226,025	3,571,825	3,716,692	363,785
Amortization	-	-	1,640,043	1,307,000	-	-	-
Debt servicing	-	-	56,724	28,000	-	-	-
Cost of goods sold	5,801,100	-	479,679	907,200	4,011,960	3,303,219	301
Other expenses	5,801,338	-	-	-	-	-	4,800
Total expenses	\$ 5,471,559	\$ 5,493,235	3,353,546	3,461,225	7,742,885	7,019,911	1,200,510
Annual surplus (deficit)	\$ 5,471,559	\$ 5,746,916	\$ (1,320,973)	\$ (2,463,693)	\$ (56,102)	\$ 708,541	\$ (796,993)
Segment training							
Training							
Training areas							
Education							
Healthcare							
Housing projects							
Gas Bar							
Community health							
Other							
Equipment							
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Training							

SIEPKONKATIK

SCHEDULE OF BUDGETED DISCLOSURE

YEAR ENDED MARCH 31, 2012

	Social development		Road administration		Education		Capital and housing		Operating and maintenance		Economic development		Community health	
	2012	Budget 2012	2012	Budget 2012	2012	Budget 2012	2012	Budget 2012	2012	Budget 2012	2012	Budget 2012	2012	Budget 2012
Revenues														
Federal Government														
Provincial Government	5,746,916	5,684,347	838,971	90,000	633,602	7,072,151	6,693,800	344,813	340,756	1,252,201	702,750	17,532,11	167,435	1,445,523
Economic Activities														
Other revenue	(366,730)					915,595	467,295			9,658		5,000		
Total revenue	5,380,166	5,684,247	1,844,566	1,102,955		15,700			42,000		423,173	457,436		
Expenses														
Salaries and benefits	235,586	436,717	1,077,347	1,141,500	3,456,754	3,097,400	371,868	377,100	769,287	639,850	78,511	47,150	88,297	775,000
Amortization			1,412,262	1,370,000										
Debt servicing														
Cost of goods sold														
Other expenses	5,153,310	5,094,900	1,110,351	967,500	3,435,529	3,595,400	736,631	468,800	1,574,126	1,433,400	163,662	165,285		
Total expenses	5,380,166	5,531,617	3,609,960	3,499,000	6,872,283	6,693,800	1,110,029	845,900	2,753,547	2,096,050	241,173	242,435	1,293,415	1,397,328
Annual surplus (deficit)	\$ (32,000)	\$ (176,594)	\$ (2,306,000)	\$ 545,568	\$	\$ (72,656)	\$ (265,144)	\$ (1,048,615)	\$ (1,011,364)	\$ (69,852)	\$ (75,000)	\$ (16,781)	\$	
Revenues														
Employment training														
Gaming														
Tobacco store														
Fiduciaries														
Housing projects														
Gas Bar														
Cannabisland (total)														
2012 Budget 2012														
Federal Government														
Provincial Government	1,008,300	794,477	266,620	240,000		342,000		594,810	310,000					
Economic Activities														
Other revenue	41,679	40,000	4,431,983	3,620,000	8,108,414	1,000,000	3,244,313	3,730,000	230,755	214,000	1,493,522	1,110,000	17,278,231	15,460,000
Total revenue	1,049,979	835,577	4,701,603	3,850,000	8,108,413	7,000,000	3,504,892	3,738,006	825,053	541,000	1,493,522	1,110,000	38,174,850	33,597,530
Expenses														
Salaries and benefits	449,127	373,738	846,769	853,400	83,325	86,730	774,103	559,216						
Amortization														
Debt servicing														
Cost of goods sold	603,692	461,339	877,763	920,100	6,332,250	5,300,000	1,144,176	1,714,300	838,113	282,411	1,371,080	930,000	7,653,330	6,250,000
Other expenses	1,052,729	833,577	1,724,532	1,771,500	6,995,094	6,682,250	1,918,279	2,253,216	887,350	270,611	1,519,283	1,150,350	17,400,585	16,518,663
Total expenses	\$ (2,750)	\$ -	\$ 2,977,071	\$ 2,086,500	\$ 1,113,319	\$ 917,730	\$ 1,695,613	\$ 1,484,430	\$ (62,285)	\$ (70,389)	\$ (21,761)	\$ (49,350)	\$ 2,518,439	\$ 854,136

SIPEKNE'KATIK

SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS

GOVERNMENT TRANSFERS

YEAR ENDED MARCH 31, 2018

	2018 Operating	2018 Capital	2018 Total
Direct Federal government transfers:			
Indigenous and Northern Affairs Canada	8,783,843	297,500	9,081,343
INAC - other	258,816	-	258,816
Health Canada	1,553,421	100,990	1,654,411
Department of Fisheries and Oceans	109,391	474,000	583,391
Mi'kmaw Kina'matneway	7,119,568	-	7,119,568
METS	737,871	-	737,871
Atlantic Canada Opportunities Agency	-	194,595	194,595
Canada Mortgage and Housing Corporation	677,295	-	677,295
Federal government transfer total	\$ 19,240,205	\$ 1,067,085	\$ 20,307,290
Direct Provincial government transfers:			
	\$ 371,864	\$ -	\$ 371,864